Testimony of Bryan D. Stone
Docket Number 2013-378-E

Q. Please state your name, business address, present position and responsibilities.

A. My name is Bryan D. Stone. My business address is Lockhart Power Company, Post Office Box 10, 420 River Street, Lockhart, South Carolina 29364. I am Chief Operating Officer of Lockhart Power Company. In this role I have responsibility for the company's overall performance and management.

Q. Please summarize your educational background and professional experience.

A. I have earned both the Bachelor of Science in Electrical Engineering Degree and the Master of Science in Electrical Engineering Degree from the Georgia Institute of Technology, as well as the Master of Business Administration Degree from the University of Florida. I am a registered Professional Engineer in the state of Florida.

I began my professional career in 1990 as a Project Engineer at a 500^{+} employee chemical fertilizer company near Tampa, Florida. My responsibilities involved implementing electrical and instrumentation ("E&I") projects, including those associated with the approximately 40 MW cogeneration plant used to convert waste process heat to electricity. In 1996 I accepted a similar position at a larger company in rural northern Florida. While my responsibilities were similar in nature, the scope was greater, since the new employer had 1,200^{+} employees in two chemical complexes (each with its own cogeneration plant) and a mining operation, all within the same county. In 2000, I was promoted to E&I Maintenance Superintendent, with responsibilities for the E&I Maintenance Department, including 70 E&I technicians and salaried employees. I had the additional responsibilities of Power Manager, which ultimately included managing over $50 million in combined power purchases and sales. In this capacity, I worked with

representatives of various classes of customers, utilities, and legislators on a variety of power-related issues.

I joined Lockhart Power Company ("Lockhart" or "the Company") in April 2006, with overall responsibility for all aspects of the Company's performance. I testified before this South Carolina Public Service Commission ("Commission") in Lockhart's last two rate cases, Docket Number 2007-33-E and Docket Number 2010-181-E.

Q. What is the purpose of your testimony?

A. My testimony will provide a brief overview of Lockhart. With this overview as a backdrop, I will describe the primary reasons why Lockhart is pursuing a rate adjustment, Lockhart's efforts to enhance customer service and attract new customers, and the reasoning behind several key aspects of the proceeding including the rate of return for each customer class and the cost of equity.

Q. Please provide an overview of Lockhart Power Company.

A. Lockhart Power Company was incorporated in 1912 by an act of the South Carolina legislature. Its service area spans parts of five counties: Union, Spartanburg, Cherokee, Chester and York. It provides generation, transmission and distribution services to approximately 6,200 retail residential, commercial and industrial customers, through the efforts of 51 employees. In addition, the Company serves one native load wholesale customer, the City of Union.

The first General Manager for Lockhart was hired in 1920, and he is one of only three Company leaders who have preceded me. My immediate predecessor was in his position for nearly 30 years, providing a very stable long-term direction for the company.

His tenure was marked by a focus on tight cost control, continually improving efficiency, and increasing the capacity and reliability of the company's sole generation station, an 18 MW hydroelectric facility located in Lockhart, South Carolina. He also implemented a strategic focus on the core electric utility business, including overseeing the divestiture of telephone, trash, water and wastewater businesses.

My eight year tenure has been marked by a dramatic expansion of Lockhart's generation capabilities, which has been performed in a cost effective and environmentally friendly manner. Lockhart has grown from having one source of generation to now having eight generation facilities, while still producing 99% of its energy from renewable resources. Five of these generation facilities are currently in rate base. These include: 1) the aforementioned 18 MW hydroelectric plant located along the Broad River in Lockhart, South Carolina; 2) a 5.5 MW diesel peaking plant in Pacolet, South Carolina; 3) a 7.3 MW diesel peaking plant in Union, South Carolina; 4) a 0.8 MW hydroelectric plant in Pacolet, South Carolina; and 5) a 1.6 MW landfill gas plant in Wellford, South Carolina. The first three of these typically satisfy 20-25% of the company's load, with the remainder of the power needed to serve the Company's customers being purchased from Duke Energy ("Duke"). Power generated from the last two stations above is sold off-system via a wholesale contract in order to maximize associated revenues for the renewable energy, and these revenues are flowed back to its customers through the Company's "Schedule O - Power Adjustment Clause". Lockhart has also recently constructed and placed in service two additional small hydroelectric generation stations and has assumed responsibility for the Columbia Canal hydroelectric generation station, as will be discussed later in this

testimony.

Lockhart purchases power from Duke at a wholesale rate which is based on Duke's cost of service and which has been approved by the Federal Energy Regulatory Commission (FERC). Changes in the monthly purchased power expense above or below an authorized base amount due to load, internal generation, etc. are flowed through to Lockhart's customers via the afore-mentioned Schedule O. Although the additional generation added to rate base in the last two rate cases has offset a meaningful amount of purchased power expense, this expense continues to represent a significant percentage of Lockhart's operating costs.

Q. Please describe the economic impact of the Pacolet diesel and Lower Pacolet hydroelectric generation resource additions described in the Company's 2007 rate case, and of the Union diesel and Wellford landfill gas generation resource additions described in the Company's 2010 rate case.

A. The generation development strategy the company has pursued since 2006 has proven to be even more economically beneficial to Lockhart's customers than originally expected. These generation resources have demonstrated their usefulness in helping control and offset purchased power expenses. In addition, the generation has demonstrated its usefulness in acting as a hedge against future purchased power price increases. For example, while the demand price of Lockhart's purchased power has increased more than 60% since 2008, the Pacolet and Union diesel peaking generation stations have reduced Lockhart's demand usage, thereby mitigating the impact of the price increase on Lockhart's customers.

Another increase in the economic benefit provided by the generation resources to Lockhart's customers began in 2012, when Lockhart began selling the power from the Lower Pacolet Hydroelectric generation station off-system for a premium price, the economic value of which is flowed to Lockhart's customers. In addition, a one-time benefit of more than $50,000 related to previous years' renewable energy credits resulting from initiating this contract was flowed through to Lockhart's customers in 2012.

Overall, it is estimated that the generation stations added to rate base in the 2007 and 2010 rate cases are currently reducing Lockhart's revenue requirement by more than 3%, and that they have saved Lockhart's customers more than $3.5MM cumulatively to date.

Q. What are the key drivers behind the need for a base rate adjustment?

A. The primary driver is recent significant capital investment in new generation, which will provide net economic benefits to our customers. Two large investments are $4.2MM for the construction of the new 1.1 MW Upper Pacolet Hydroelectric generation station in Pacolet, South Carolina, and $3.0MM for the construction of the new 0.8 MW Lockhart Minimum Flow Hydroelectric generation station in Lockhart, South Carolina. These projects were placed into commercial operation in February 2013 and January 2013, respectively.

Another significant capital investment in generation resources is $9.2MM for the 10.6 MW Columbia Hydroelectric generation station located at the terminus of the Columbia Canal on Gervais Street in Columbia, South Carolina. Lockhart entered into a services agreement in 2011 with the City of Columbia, through which Lockhart provides

management, maintenance, operations, and rehabilitation services for the generation station for a twenty-five (25) year period, and in return receives the majority of the generation revenues.

In addition to investments in new generation resources, another recent investment contributing to the need for a base rate adjustment is approximately $0.7MM to replace the Company's entire financial system.

Q. Please describe the Upper Pacolet Hydroelectric project.

A. The Upper Pacolet Hydroelectric generation station, along with the Lockhart Minimum Flow Hydroelectric generation station described below, are believed to be the first two greenfield hydroelectric projects developed in South Carolina in more than a quarter of a century. The Upper Pacolet generation station is located approximately one half mile upstream of the Company's Lower Pacolet Hydroelectric generation station, and was built adjacent to the pre-existing Upper Pacolet dam that was associated with a textile mill that was demolished many years ago. The option to purchase the Upper Pacolet dam and associated property and rights was included in the purchase of the Lower Pacolet Hydroelectric generation station, which the Company executed and placed in rate base in 2007. The run-of-river Upper Pacolet generation station is rated at a 1.1 MW capacity, and diverts water from the Pacolet River through a single turbine-generator before returning it to the river immediately downstream of the dam in order to strictly minimize any potential environmental impacts. The station is unmanned and is operated remotely from the Company's control room in Lockhart, South Carolina, minimizing operating expenses.

Lockhart has entered into a ten-year agreement to sell the generated power to a utility that is able to utilize the associated renewable energy credits, and the price (which escalates annually) represents a significant premium compared to the value of the power if it was used directly by our customers. This premium value will be flowed through to our customers in its entirety. At the end of the ten-year agreement, the then-current energy market conditions will be used as the basis to decide whether to use the power to self-serve Lockhart's customers, or to continue selling the power off-system. Another significant source of value Lockhart provided was to obtain ARRA stimulus funds to offset $1.5MM of the $5.5MM project capital cost, greatly reducing the cost basis for Lockhart's customers. Lockhart also successfully pursued a fee-in-lieu of tax ("FILOT") agreement with the county in which the project is located in order to reduce the amount of property taxes the project would incur. The associated reduction in property taxes is estimated to exceed $1MM over the life of the agreement. Lockhart also exerted significant effort in controlling costs by managing the project in-house, both with Company personnel and with an engineering manager provided by the Company's parent company at no cost. As a result of these and other cost control efforts, the Upper Pacolet hydroelectric project will provide a net economic benefit to customers over time, while generating zero emissions power that will eliminate the need for a corresponding amount of fossil fuel generation and the associated air and water impacts.

Lockhart's parent company has agreed to forego more than an entire year's dividend in order to fund this project for the benefit of its customers.

Q. Please describe the Lockhart Minimum Flow Hydroelectric project.

A. The Lockhart Minimum Flow Hydroelectric generation station is located approximately one half mile upstream of the Company's 18 MW Lockhart Hydroelectric generation station, within the same FERC (Federal Energy Regulatory Commission) license project boundary. The purpose of the project is to harness the energy that was being lost as part of the 18 MW Lockhart station minimum flow requirement that large pre-determined amounts of water be returned to the Broad River for environmental reasons, before that water reaches the 18 MW Lockhart station turbine-generators. The Lockhart Minimum Flow Hydroelectric generation station diverts water from the Lockhart Canal through a 0.8 MW capacity turbine-generator before returning it to the river immediately downstream of where the minimum bypass flow previously entered the Broad River in order to strictly minimize any potential environmental impacts. The project is unmanned and is operated remotely from the Company's control room in Lockhart, South Carolina, minimizing operating expenses.

Lockhart has entered into a ten-year agreement to sell the power to a utility that is able to utilize the associated renewable energy credits, and the price (which escalates annually) represents a significant premium compared to the value of the power if it was used directly by our customers. This premium value will be flowed through to our customers in its entirety. At the end of the ten-year agreement, the then-current energy market conditions will be used as the basis to decide whether to use the power to self-serve Lockhart's customers, or to continue selling the power off-system. Another significant source of value Lockhart provided was to obtain ARRA stimulus funds to offset more than $1MM of the $4MM project capital cost, greatly reducing the cost basis for Lockhart's

customers. Lockhart also successfully pursued a fee-in-lieu of tax ("FILOT") agreement with the county in which the station is located in order to reduce the amount of property taxes the project would incur. The associated reduction in property taxes is estimated to exceed $0.6MM over the life of the agreement. Lockhart also exerted significant effort in controlling costs by managing the project in-house, both with Company personnel and with an engineering manager provided by the Company's parent company at no cost. As a result of these and other cost control efforts, the Lockhart Minimum Flow Hydroelectric generation station will provide a net economic benefit to customers over time, while generating zero emissions power that will eliminate the need for a corresponding amount of fossil fuel generation and the associated air and water impacts.

Lockhart's parent company has agreed to forego approximately an entire year's dividend in order to fund this project for the benefit of its customers.

Q. Please describe in more detail the Company's efforts to obtain ARRA incentives to reduce the net cost impact of the Upper Pacolet and Lockhart Minimum Flow hydroelectric projects on Lockhart's customers.

A. Lockhart obtained approximately $2.6MM from the federal ARRA Section 1603 program to offset a significant portion of the cost of the two hydroelectric projects. The reduction in initial retail revenue requirement associated with the avoided return on equity, depreciation, and property tax is estimated at $600,000 per year. Without this reduction, the Company's requested increase in revenue requirement would have been approximately 50% higher.

Investigating, evaluating, pursuing, and obtaining the ARRA grant funds was a major effort undertaken during a five year period by a Company with very few management personnel. The result, however, was exceptional. According to the United States Treasury Section 1603 awards web site, as of late 2013, Lockhart's Upper Pacolet and Lockhart Minimum Flow projects were two of only three hydroelectric projects in South Carolina able to obtain ARRA funds (the third was at an existing Duke project). It is also worth noting that these two renewable energy projects, in conjunction with the Wellford landfill gas to power project (described in the Company's 2011 rate case), cumulatively received more than $3.4MM in ARRA funds, essentially tying Lockhart for second place among South Carolina ARRA recipients in total amounts received. Considering Lockhart serves less than 1% of the residents of South Carolina, this is a remarkable example of a Company making extraordinary efforts to bring federal dollars back into the State to reduce its customers' costs.

Q. Please describe the Financial System replacement project.

A. Lockhart previously performed all of its accounting and finance functions using an 18 year old AS400-based computer system. Although the system was antiquated, it was a "workhorse" that adequately performed the key functions required of it, and over the years a variety of reports had been developed to support all areas of the Company's accounting and financial functions. Furthermore, support costs were minimal and provided by the system vendor, so no in-house Information Technology ("IT") staff were necessary.

However, the legacy system would not support newer customer service functions that were increasingly being requested by our customers, and which are now

commonplace in our industry. Also, a new system would readily support interfacing with other computer systems that the Company was considering implementing for production and other customer service purposes. Therefore, a new utility accounting system was purchased which was designed for smaller electric utilities, and was developed to operate based on a Microsoft GP platform. This provided a cost effective system that could meet all of the Company's traditional needs, as well as offer additional functionality and a platform that would enable future applications to be readily added. One such customer service application enabled by the new system is an Interactive Voice Response (IVR) system implementation, which is currently in progress. This system will facilitate customer outage reporting, customer notification of restoration of service, and a number of other customer service features designed to enhance the customer experience.

The new utility accounting system has necessitated the addition of a permanent IT staff position, as well as various support fees to ensure both the hardware and software are fully functional and have very high availability, as well as providing data backup and recovery services. The result of this "cost of doing business" technology project is a robust system that accommodates our existing and foreseeable business needs and which will result in additional customer service capabilities, although at additional cost compared to the previous "bare bones" approach.

Q. Please describe the Columbia Canal Hydroelectric project.

A. The Columbia Canal Hydroelectric project located in Columbia, South Carolina, was placed in service in 1896 to provide power to the adjacent textile mill building, which is now home to The State Museum. The project includes the dam on the Broad River where

the Columbia Canal begins, a minimum flow gate adjacent to the dam, the Columbia Canal itself, the drain gates for the Canal, and the 10.6 MW hydroelectric plant at the terminus of the Canal at Gervais Street. The project is owned by the City of Columbia ("Columbia"), for whom Lockhart is providing management, operations, and maintenance services under a twenty-five (25) year contract.

The contract terms included a $5MM initial payment to Columbia, and implementation of a rehabilitation plan to upgrade a variety of equipment in order to ensure the plant could safely and reliably operate at full capacity. The capital investment associated with this rehabilitation plan was $4.2MM, for a total project capital investment of $9.2MM. In return for this investment and for providing all necessary operations and maintenance services, Lockhart receives the majority of the value of the generated power. Although the final major components of the rehabilitation plan were completed in August 2013, Lockhart has been operating the project for the City since 2011. Due to the experience and knowledge gained while operating, maintaining and rehabilitating this project over the last two years, Lockhart projects that the plant will initially operate at a modest net economic benefit for its customers, progressively increasing throughout the 25-year term as the value of the power increases and the effects of depreciation and amortization reduce the net plant investment and the associated Company return on investment. Therefore, Lockhart has decided to request the project be included in its regulated rate base as part of our continuing efforts to make every effort to help control our customers' rates.

Q. Please describe the office building project.

A. For more than half a century, Lockhart Power has had its main office co-located in the same building as its 18 MW Lockhart Hydroelectric generation station. While this minimized the costs of providing office space, management and administrative personnel and customers were subjected to various negative environmental factors including ambient noise from the turbine-generators and general issues associated with occupying an industrial building of this vintage. Furthermore, with the only four areas designed as true office space occupied, recently added salaried personnel had to be accommodated by sharing a small office with a senior manager, working from a computer server space, and working from the Company's only conference room. This presented an unsustainable work environment, so the Company examined various options and identified the best solution to be to build a new office building on the same campus property as the current office location. Since the main customer service center is somewhat interspersed within the old administrative offices, and access and parking for customers to this center was suboptimal, the new office building includes dedicated space for a new customer service center.

The Company's two main priorities for the new office building were cost effectiveness and adequate functionality. The new building was designed to accomplish three separate functions under one roof to minimize total costs: a customer service center, a company meeting room, and general office space with limited room for growth. The initial design was for an approximately 9,000 square foot building, at an approximate cost of $4MM. While typical office construction projects may experience scope creep and associated cost increases during the detailed design process, in Lockhart's case extensive

detailed design and value engineering efforts over a period of an entire year resulted in a smaller and more modest design involving a footprint of just 6,600 square feet, and a greatly reduced cost of just $1.3MM. To further control cost on behalf of its customers, Lockhart requested that its parent company finance and construct the building, and provide the use of the building to Lockhart under a lease arrangement. The end result was that while taking the traditional approach of self-capitalizing the larger and somewhat more upscale $4MM building would have resulted in an associated revenue requirement of approximately $750,000, the redesign and lease arrangement resulted in a revenue requirement of $104,000, approximately 1/7 of the initial estimated cost to our customers.

Q. How has Lockhart's customer base changed since the last rate case?

A. The number of Lockhart's residential and commercial customers has decreased slightly since 2010. Lockhart's industrial load has increased, however, and it is believed to be due primarily to two factors. The first is a general recovery in the manufacturing sector, including several of the Company's key industrial customers. The second factor is the addition of two new industrial customers and an expansion at an existing industrial customer's plant. This industrial customer base is critical to the local economy, which has its roots in the manufacturing sector, and the Company actively works with local officials to promote economic development via industrial growth.

Q. How has Lockhart's total retail revenue requirement changed since the last rate case?

A. Expert testimony by Mr. Parmelee is included in this filing that details the approach used to determine Lockhart's retail revenue requirements. Lockhart is requesting a rate

increase of 6.77% from its current rates, which were based on a 2009 test year and became effective in August 2011.

Q. How would the Residential, Commercial, Industrial, and Lighting classes of customers be affected if equal rates of return were applied to each class?

A. Residential customers would have an increase of 19.7%, Commercial customers an increase of 17.5%, Industrial customers a decrease of 10.7%, and Lighting customers an increase of 14-17%%.

Q. Why would there be such a discrepancy between classes if an equal rate of return approach were used?

A. Over time different revenue growth rates and cost allocations between customer classes can result in changes in the returns generated by each customer class.

Q. Is Lockhart's requested adjustment based on an equal rate of return approach?

A. No. Lockhart is using a modified equal rate of return approach, which better balances the needs of the various customer classes. The modification is that a floor was set on the amount of the adjustment to any class of 0%, i.e. no customer class was given a rate decrease. This approach benefits the Residential, Commercial and Lighting classes of customers by mitigating the increase to those classes, and moving these classes closer to the average retail rate of return.

Q. What are the resulting effects on each class of customers?

A. The Residential class of customers will have an increase of 12.9%, the Commercial class will have an increase of 11.4%, the Industrial class will have no adjustment, and Lighting customers will have an increase of 9-11%. Despite the increases to the Residential,

Commercial and Lighting classes, those classes will still have rates providing a return noticeably below the retail average, while the Industrial class will remain noticeably above the system average. However, the magnitude of the disparities between classes will be decreased compared to current rates, resulting in a more equitable rate structure.

Q. How was the cost of equity determined?

A. Expert testimony by Paul R. Moul is included in this filing that details the approach used to determine Lockhart's cost of equity. Mr. Moul also prepared cost of equity testimony for the last two rate cases (Docket Numbers 2007-33-E and 2010-181-E), which were approved by the Commission. The same methodology is used in this case, updated to reflect current economic conditions. I would like to highlight the portion of his testimony that discusses the size premium appropriate for Lockhart. Lockhart's size is literally several orders of magnitude below that of its peer utilities, resulting in a dramatically higher level of risk, and a correspondingly higher cost of equity. This higher level of risk is demonstrated by the concentration of sales represented by a few large customers, and the earnings impact that losing one of these large customers would have (and has had) on the Company. Were Lockhart to receive the entire size premium adjustment for which it is qualified as a micro-cap sized company, its resulting cost of equity would be 12.5%. In order to be conservative and err on the side of controlling costs for the Company's customers, Mr. Moul has recommended a lower adjustment, corresponding to that appropriate for a much larger company. The result is Mr. Moul's calculated 12% cost of equity.

Q. What adjustment was made to the cost of equity as calculated by the cost of equity consultant?

A. Lockhart has made a modest adjustment based on factors that are outside the scope of Mr. Moul's analysis. This is a one half of one percent increase to recognize the recent significant economic benefits afforded Lockhart's customers by virtue of Lockhart's unusually customer-centric performance, which in some cases has come at the expense of its owners. For example, the three aforementioned hydroelectric generation projects being requested for addition to rate base are the most recent examples of Lockhart making major investments to expand its generation portfolio over the last seven years, in order to help control purchased power costs. It is estimated that the resulting long-term cumulative customer savings due to Lockhart's overall generation portfolio expansion since 2007 will ultimately exceed $20,000,000. By contrast, the economic value of the requested 0.5% adjustment to the cost of equity is approximately $211,000 per year until the Company's next rate case, or roughly 1% per year of the customer savings created by the Company.

This significant customer benefit is possible only because Lockhart's owners agreed to reinvest the equivalent of many years of dividends to finance these generation projects. In fact, Lockhart's owners have not taken a dividend since 2006, and they actually injected an additional $5MM of equity temporarily in order to provide for the completion of multiple major capital projects simultaneously. The resulting generation portfolio placed in service between 2007-2011 has already provided Lockhart's customers more than $3.5MM in estimated net savings to date, and reduced Lockhart's annual revenue requirement by an estimated 3%. With the addition of the three hydroelectric

generation projects described herein, the net savings Lockhart's customers will continue to receive from Lockhart's generation portfolio will increase substantially over time. These and other specific examples (several cited herein) of Lockhart and its owners voluntarily going "above and beyond" to achieve significant cost savings for the benefit of its customers demonstrate that Lockhart should receive a modest 0.5% adjustment to its cost of equity. The resulting cost of equity used for this filing is 12.5%.

This cost of equity adjustment is therefore performance-based, using actual, recent and significant cost-savings to customers resulting from the Company's efforts. In addition, this adjustment is an incentive for the Company to continue to behave in this exceptionally customer-centric manner. This is important because the Columbia Canal hydroelectric project, the largest equity investment the Company has ever made, is a cost effective renewable energy generation investment that the Company has decided in its discretion to pursue placing in its regulated rate base, allowing the associated economic benefits to accrue to Lockhart's customers for more than the next two decades. The performance-based adjustment provides an incentive for the Company to strongly consider implementing these and other discretionary projects and placing them into its regulated rate base, for the economic benefit of its customers. Finally, even with this adjustment, the final cost of equity being requested by Lockhart is no more than the amount Mr. Moul would have determined to be reasonable based only on the Company's size and other characteristics, had he not used a conservative company size premium adjustment in his calculations.

Q. Do you have any requests concerning the timing of this case?

A. Yes. Lockhart has recently made significant capital investments exceeding 50% of its total company rate base to benefit its customers. Furthermore, as stated in witness Parmelee's testimony, the Company earned well below its authorized rate of return during the 2012 test year. In order to mitigate the ongoing negative economic impacts associated with these factors, Lockhart respectfully requests an expedited review and ruling on this proceeding.

Q. Please summarize your testimony.

A. Lockhart has recently made significant capital investments specifically to provide both immediate and long-term net economic benefits to its customers. The resulting generation portfolio of eight facilities produces more than 99% of its energy using renewable resources. In addition to the obvious environmental benefits, and the direct economic benefits as described above, this portfolio significantly reduces customers' risks of future cost increases in three ways: 1) as stated in witness Parmelee's testimony, purchased power rates have resulted in a $2.2MM (30%) cost increase since the last rate case, almost double the entire amount of Lockhart's requested increase for all other items combined, so reducing reliance upon purchased power reduces customers' associated future cost risk; 2) the risk of fuel cost escalation is minimal, since virtually all of Lockhart's generation is hydroelectric (zero fuel cost) and landfill gas (very low fuel cost set by long-term contract, not market); and 3) the potential cost impact of future environmental regulations is minimal due to the renewable nature of Lockhart's portfolio, i.e. Lockhart already has the environmental footprint which regulators want utilities to strive to reach.

Lockhart requests that the Commission approve the rate adjustment as described in Lockhart's rate application. Furthermore, Lockhart requests that the Upper Pacolet and Lockhart Minimum Flow Hydroelectric facilities be placed in rate base, as well as the Company's investment in the Columbia Hydroelectric facility, and that associated revenues from all three facilities flow through to Lockhart's customers dollar-for-dollar via the Company's Schedule "O".

Q. Does this conclude your prepared direct testimony?

A. Yes.

STATE OF SOUTH CAROLINA)
) **VERIFICATION**
)
COUNTY OF UNION)

PERSONALLY appeared before me, Bryan D. Stone, who being duly sworn states: That he is the Chief Operating Officer of Lockhart Power Company; that the testimony attached hereto as Testimony of Bryan D. Stone, is based upon information that he believes to be true and correct.

Bryan D. Stone
Bryan D. Stone

Sworn to before me this 12th
day of March, 2014

Rabecka Chavis
Rabecka Chavis

My Commission Expires: January 4, 2019